



Food Distribution National Policy Memorandum

United States
Department of
Agriculture

Food and
Nutrition
Service

3101 Park
Center Drive

Alexandria, VA
22302-1500

DATE: February 5, 2003

POLICY NO. FD-005: State Processing

SUBJECT: Procedures for Reimbursing Offshore Transportation Costs of
Processed Foods

This memorandum establishes the policy and procedures to compensate offshore destinations for the marine shipping costs associated with further processed end products. Offshore destinations are defined as those State agencies that are not located in the 48 contiguous United States. The high cost of transportation to offshore destinations has been borne by the Department for raw commodities. We have determined that the title to raw commodities passes to the State agency when they are delivered to a processor to be converted into more usable end products. Therefore, many offshore destinations have not participated in the State processing program because the offshore destination would have to pay excessive transportation costs to get the further processed foods to their offshore location.

To correct this inequity, Food Distribution Division is authorizing offshore destinations to be reimbursed for the cost of marine transportation of further processed products. Typically, in a processing contract, the costs associated with transportation to a final destination are included in the fee for service that the State would be charged. This will remain the same. However, offshore destinations that choose to have raw products further processed will now be allowed to claim reimbursement for the marine portion of shipping costs. No other forms of transportation will be reimbursable.

1. The marine transportation cost must be separately identified in the processing contract.
2. Processed product may not be shipped in less than half truck quantities.
3. The State will apply for reimbursement using the Public Voucher form, FSA-21 (formerly ASCS-21), submitted to the appropriate Regional office for approval.
4. The State is responsible for any transportation costs from the processor to the shipping port and for any costs associated with delivery of that product after it reaches the offshore receiving port.

5. All processing regulations apply for any further processing of raw commodities provided by the Department.
6. States will notify their Regional Office of the approximate amount of transportation charges to be incurred quarterly, so that they may notify the Food Distribution Division, and the appropriate funds may be advanced to the Kansas City Commodity Office.

A handwritten signature in black ink that reads "Rosalind Cleveland". The signature is written in a cursive, flowing style.

ROSALIND CLEVELAND
Acting Director
Food Distribution Division

Date Originally Issued: 07/09/1998 (State Processing Policy Memo. No. 27)